

Due Diligence Findings

During the due diligence period, Ashley Development hired Summit Drilling to complete test boring on the site to determine the subsurface conditions. From our knowledge of the area and information gathered on from the informational plaque located on the adjacent property to the east of the site, we anticipated hitting rock. Below are the results of the borings; indicative of site subsurface conditions.

Rock Boring Results: Boring at the site to 49 feet. Rock was initially encountered at approximately 10.5 feet. First core was from 12-17. Only 1 foot of core, remaining 4 feet was very decomposed rock. From 13-19 consisted of very decomposed rock, unable to core. From 19-24 very weathered rock, unable to core. Second core from 24-29. Third core from 29-34. Fourth core from 34-39. Fifth core from 39-44. Sixth core from 44-49. Voids were encountered from 32-36.5 and 43-44. All rock is very fractured and mostly weathered considerably. Recovery and Rock Quality Designation (RQD) were determined for all core runs. First core recovery (12-17) was 16% and RQD was 0%. Second core recovery (24-29) was 60% and RQD was 26.4%. Third core recovery (29-34) was 62% and RQD was 16%. Fourth core recovery (34-39) was 32% and RQD was 0%. Fifth core recovery (39-44) was 46% and RQD was 0%. Sixth core recovery (44-49) was 63% and RQD was 16.4%.

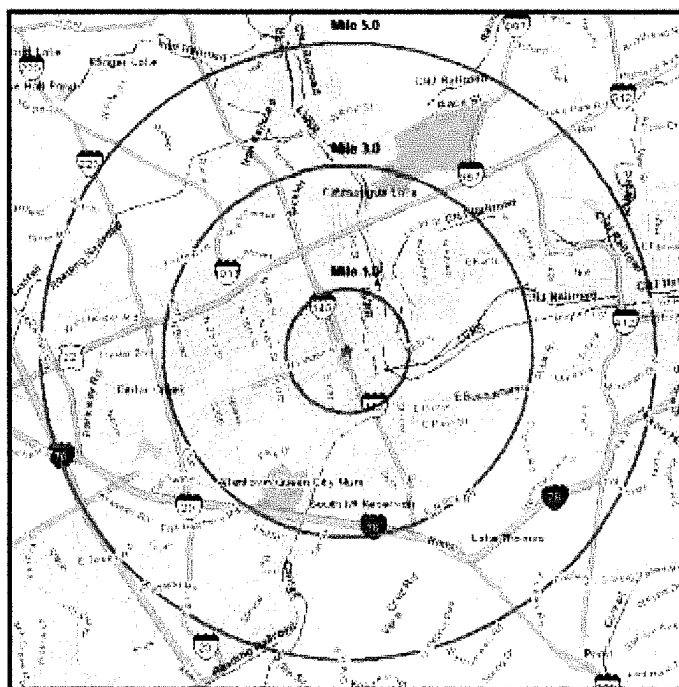
Some possible approaches to dealing with the issue of rock as the borings have concluded are pressure grouting and an increase in detail to foundation design. Findings such as these indicate conditions similar to those encountered on One East Broad Professional Building in Bethlehem. At the Bethlehem location, over \$200,000 of cement had to be poured into a void found on the site, in order to create a stable base for the 5 story building that was completed last year. Such costs are very prohibitive to development in climates of high construction costs. Also, due to the fact that subsurface conditions are typically unpredictable, regardless of the number of borings. These variables create very ambiguous estimates, as far as site work timelines are concerned, until the work has commenced.

Preliminary pro forma analysis of the property indicate that the building would cost between \$12 and \$15 million to construct with a construction timeline of approximately 12 months to complete after breaking ground.

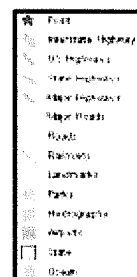
Demographic Information



Description	0.00 - 1.00 miles		0.00 - 3.00 miles		0.00 - 5.00 miles	
	Radius 1	%	Radius 2	%	Radius 3	%
Population						
2012 Projection	42,475		132,152		234,544	
2007 Estimate	42,615		130,410		229,528	
2000 Census	41,624		128,978		223,630	
1990 Census	40,274		127,026		220,918	
Growth 1990 - 2000	3.35%		1.54%		1.23%	
Households						
2012 Projection	15,364		51,900		93,291	
2007 Estimate	15,191		51,431		91,187	
2000 Census	15,082		51,090		88,629	
1990 Census	16,246		51,432		87,050	
Growth 1990 - 2000	-7.16%		-0.66%		1.81%	
2007 Est. Population by Single Classification Race						
White Alone	19,914	46.73	36,710	65.49	173,051	75.39
Black or African American Alone	6,062	14.23	11,945	9.16	15,207	6.63
American Indian and Alaska Native Alone	268	0.63	483	0.37	697	0.30
Asian Alone	876	2.06	3,656	2.80	6,731	2.93
Native Hawaiian and Other Pacific Islander Alone	80	0.19	158	0.12	203	0.09
Some Other Race Alone	12,707	29.82	21,596	16.56	25,714	11.20
Two or More Races	2,729	6.40	5,862	4.50	7,926	3.45
2007 Est. Population Hispanic or Latino						
Hispanic or Latino	22,919	53.78	39,851	30.56	49,070	21.38
Not Hispanic or Latino	19,697	46.22	90,560	69.44	180,458	78.62
2007 Tenure of Occupied Housing Units						
Owner Occupied	6,494	42.75	29,097	56.57	55,884	61.29
Renter Occupied	8,696	57.24	22,334	43.43	35,403	38.71
2007 Average Household Size						
	2.70		2.43		2.58	
2007 Est. Households by Household Income						
Income Less than \$15,000	3,765	24.78	8,815	17.14	13,540	14.85
Income \$15,000 - \$24,999	3,156	20.78	8,088	15.73	12,384	13.58
Income \$25,000 - \$34,999	2,371	15.61	7,212	14.02	11,789	12.93
Income \$35,000 - \$49,999	2,595	17.08	8,103	15.76	15,855	17.39
Income \$50,000 - \$74,999	2,098	13.81	9,617	18.70	17,765	19.48
Income \$75,000 - \$99,999	741	4.88	4,420	8.61	9,341	10.24
Income \$100,000 - \$149,999	393	2.59	3,160	6.14	7,388	8.10
Income \$150,000 - \$249,999	58	0.38	774	1.50	2,351	2.58
Income \$250,000 - \$499,999	15	0.10	183	0.36	584	0.64
Income \$500,000 and over	0	0.00	55	0.11	190	0.21
2007 Est. Average Household Income						
	\$34,815		\$47,416		\$54,444	
2007 Est. Median Household Income						
	\$27,848		\$37,639		\$42,456	
2007 Est. Per Capita Income						
	\$12,736		\$19,055		\$22,115	



524 W. HAMILTON ST.
ALLENTOWN, PA 18101-4511
(Leased 10/01/04) 774,000 sq ft
Leasing - See Appendix for details



0 1 2 Miles



Market Study

The above data shows a demographic snap shot of one, three, and five mile rings from the subject site. Market Data obtained through a search on the Lehigh Valley Multiple Listing Service, shows a wide range of office rents. The most comparable Class A office building within the Central Business district of Allentown is the Liberty Plaza and the office building located at 13 North 10th street. These buildings indicate a rental rate range of \$14 - \$18 per square foot.

For the type and size building proposed for the subject site, rents ranging from \$16 to \$18 per square foot would need to be achieved based on preliminary pro formas of construction costs. Due to the current financial lending market climate and Ashley Development's internal hurdle rates, construction would not begin until after a debt service coverage ratio of 1 to 1 would be achieved through pre-leasing. Not unlike other successful Ashley Development projects, spending the time up front to obtain tenant commitment insures that a project can withstand market fluctuations, since the cost of debt to construct the building would be covered. During the due diligence period, Ashley Development has had positive office leads for this site, but nothing concrete enough to report at this time. Ashley Development continues to hold the opinion that achieving the debt ratio needed to begin construction can be achieved within 8 months to 12 months.